

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

iGAMES ENTERTAINMENT, INC.,

Plaintiff, : C.A. No. 04-180 (KAJ)

v. :

CHEX SERVICES, INC. and
EQUITEX, INC.,

: JURY TRIAL DEMANDED

Defendants.

**Appendix of Exhibits To iGames Entertainment, Inc's
Motion For Summary Judgement**

Exhibit B

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF DELAWARE

3 iGAMES ENTERTAINMENT, INC. : C.A. NO. 04-180-KAJ

4 vs. :

5 CHEX SERVICES, INC. and :

6 -
7 EQUITEX, INC. :

8 EQUITEX, INC. and CHEX : C.A. NO. 04-256-KAJ

9 SERVICES, INC., d/b/a :

10 FASTFUNDS :

11 vs. :

12 iGAMES ENTERTAINMENT, INC. :

13 -
14 CHEX SERVICES, INC., d/b/a : C.A. NO. 04-0885-KAJ

15 FASTFUNDS :

16 vs. :

17 iGAMES ENTERTAINMENT, INC. :

18 September 17, 2004

19 Oral deposition of IJAZ ANWAR, taken
20 pursuant to notice, was held in the law offices of
21 DUANE MORRIS, LLP, One Liberty Place, 39th Floor,
22 Philadelphia, Pennsylvania 19103, commencing at
23 9:15 a.m., on the above date, before Joshua Lieberman,
24 a Federally Approved Registered Professional Reporter
and Notary Public in and for the Commonwealth of
Pennsylvania.

25 ESQUIRE REPORTING SERVICES

26 15th Floor

27 1835 John F. Kennedy Boulevard
28 Philadelphia, Pennsylvania 19103

29 (215) 988-9191

<p>1 accounting software called Great Plains. 2 Q. Could you just take me through 3 your promotions and different titles. 4 A. I don't know the exact dates, 5 but I've been very fortunate. I was very 6 fortunate in getting promoted. I became a senior 7 accountant. That was my first position from the 8 data entry or coming in as a temp. I don't know 9 the dates exactly. 10 Q. That's fine. 11 A. And then I was promoted to 12 controller, and then I was promoted to the 13 treasurer and then once we went public or we were 14 acquired by Equitex in 2001, I was promoted as a 15 CFO. At the hotel chain in Dubai, I was the 16 controller there. 17 Q. And you were a CFO for Equitex 18 beginning -- 19 A. For Chex. 20 Q. -- for Chex beginning in 2001? 21 A. No, we were acquired in December, 22 2001. I think sometime in 2002, March or April. 23 Q. And then have you had any 24 promotions since that time or change in your </p>	<p>70 A. I was responsible for all the 1 financial operations of Chex Services as well as 2 I participated in the various transactions that 3 Equitex was involved in on behalf of Chex or Chex 4 was involved in on behalf of Equitex. 5 Q. When did you first meet Chris 6 Wolfington? 7 A. When was the first time I met 8 Chris Wolfington? I think I met Chris Wolfington 9 for the first time during 2001 prior to the 10 acquisition of Chex Services by Equitex. I 11 think. 12 Q. And do you remember like under 13 what circumstances did you meet him? 14 A. I clearly remember. I don't 15 remember the date. Don't quote me on the date, 16 please. I remember he and Jake Koldus came in 17 with bright yellow, orange T-shirts and they were 18 wearing khaki slacks. So they were very slick 19 looking individuals. So that still stays in my 20 mind. 21 Q. Was that some kind of event? 22 A. I was senior accountant. I was 23 nobody, so they just passed by and shook our </p>
<p>1 position? 2 A. Yes. Once a reverse merger took 3 place, a reverse merger took place in March or 4 June of this year, I was given the additional 5 responsibility of operations in addition to 6 finance. So I'm currently the CFO and COO of 7 FastFunds Financial Corporation. 8 Q. FastFunds Financial Corporation. 9 And before May or June of 2004, 10 you were CFO of Chex Services, Inc. 11 doing business as FastFunds? 12 A. That is correct. 13 Q. You are now CFO and COO of what? 14 A. FastFunds Financial Corporation 15 and subsidiary Chex Services. 16 Q. Prior to June, 2004, when you 17 were working for Chex, what did your paycheck 18 say? Just the name of the entity that paid you. 19 A. Chex Services, Inc. 20 Q. Have you ever gone by any other 21 names other than Ijaz Anwar? 22 A. No. 23 Q. What were your responsibilities 24 as CFO of Chex? </p>	<p>71 hands and that's it. So that was the first 2 encounter with Mr. Wolfington. 3 Q. Have you gotten to know Mr. 4 Wolfington over the past few years? 5 A. Yes. 6 Q. Have you worked on different 7 various business transactions with him? 8 A. One business transaction, various 9 business issues, yes. 10 Q. In the past, have your companies 11 worked together where you shared staff, like COOs 12 shared receivables and things like that? 13 A. We managed some contracts for 14 MCA. And MCA, being a private entity, was owned 15 by Chris Wolfington. 16 Q. Did you at one point share some 17 technical people, some IT people, both Chex and 18 MCA? 19 A. We did various projects together. 20 I'm sure we shared employees back and forth. We 21 were managing contracts on behalf of MCA. So we 22 may have helped them and they may have helped us. 23 Q. Has Chris Wolfington always 24 operated with integrity, as far as you're </p>

Ijaz Anwar

<p>1 concerned?</p> <p>2 A. Yes.</p> <p>3 Q. Has he ever lied to you?</p> <p>4 A. Not to my knowledge.</p> <p>5 MR. BEAUSOLEIL: This is going to 6 be iGames-2.</p> <p>7 (Whereupon an e-mail consisting 8 of three pages dated March 19, 2004, was 9 marked as iGames-2)</p> <p>10 BY THE WITNESS:</p> <p>11 Q. Having worked with Chris over the 12 years and having done projects, as you said, 13 together, do you think Chris would have knowingly 14 breached an agreement?</p> <p>15 MR. PORETTI: Objection.</p> <p>16 Speculation.</p> <p>17 BY MR. BEAUSOLEIL:</p> <p>18 Q. Such as the Note or the stock 19 purchase agreement?</p> <p>20 MR. PORETTI: Objection. It calls 21 for speculation.</p> <p>22 A. I would not answer that. I can't 23 answer that question.</p> <p>24 Q. Do you think -- do you personally</p>	<p>74</p> <p>1 question. I don't know what Chris Wolfington 2 would do under these circumstances.</p> <p>3 Q. Well, you know what he did under 4 these circumstances. You were communicating with 5 him. Do you believe if you had asked him for the 6 payment or told him you believed a payment was 7 due and that if the payment was Note made, he 8 would be in breach, he would have made the 9 payment?</p> <p>10 MR. PORETTI: Objection. It calls 11 for speculation.</p> <p>12 A. I cannot answer that question.</p> <p>13 Q. Do you agree that you didn't give 14 him that opportunity?</p> <p>15 A. I think the Note itself clearly 16 states when the payment is due.</p> <p>17 Q. Well, you say it clear states 18 when the payment is due and you haven't told me 19 yet what you thought it was due.</p> <p>20 A. I can talk about the Note, not 21 what Chris Wolfington should have or would have 22 done. The note clearly states when the payment 23 is due and if you comply with the Note.</p> <p>24 Q. You told me that Mr. Welbourn</p>
<p>1 believe that Chris would knowingly breach -- in 2 this instance we're talking about the Note and 3 that the payment was due. Do you think Chris 4 knowingly failed to make a payment on that Note?</p> <p>5 MR. PORETTI: Objection. It calls 6 for speculation.</p> <p>7 BY MR. BEAUSOLEIL:</p> <p>8 Q. You can answer the question just 9 based on your own knowledge and your own beliefs.</p> <p>10 A. It calls for speculation.</p> <p>11 Q. No, no, that's not a fair 12 objection. He could put that on the record and 13 preserve it, but you have to answer that.</p> <p>14 MR. PORETTI: I think it is a fair 15 answer. You're asking him to testify 16 the state of mind of Mr. Wolfington. He 17 has no basis for doing that. In fact, 18 his answer is his answer.</p> <p>19 BY MR. BEAUSOLEIL:</p> <p>20 Q. I asked you if you personally 21 believe that Chris Wolfington would knowingly 22 fail to make a payment on that Note?</p> <p>23 MR. PORETTI: The same objection.</p> <p>24 A. I personally cannot answer that</p>	<p>75</p> <p>1 raised an issue?</p> <p>2 A. With me.</p> <p>3 Q. With you. If you followed 4 through with Chris Wolfington and told him you 5 believed an amount was due and if he failed to 6 make it, he would be in breach, do you believe he 7 would have made that payment based on your past 8 experiences with him?</p> <p>9 MR. PORETTI: Objection. It calls 10 for speculation. Lack of foundation.</p> <p>11 A. Again I would refer back to the 12 Note which clearly states when the payment is 13 due.</p> <p>14 Q. Well, that's a legal issue. 15 We're going to have judges look at that. We're 16 going to have a jury look at that. I'm going to 17 look at it, your lawyer is going to look at it. 18 I don't need to look at the Note.</p> <p>19 I'm asking you, this is my 20 opportunity to ask you what you believe, 21 what you know, what you may have heard. 22 There's all kinds of ranges of 23 testimony. You just have to be clear 24 with where it's coming from.</p>

<p>1 know the dates. I don't remember the dates.</p> <p>2 Q. The first weekend of 2004?</p> <p>3 A. Yes, I believe.</p> <p>4 Q. That's when the termination took 5 place?</p> <p>6 A. We exited or we were asked to 7 leave or we discontinued our services, I think, 8 on the first Monday of 2004.</p> <p>9 Q. And how long --</p> <p>10 A. So I think if you backtrack from 11 there during the weekend, yes. late Friday I was 12 in the office. I don't know if that late Friday 13 was 2003 or 2004. But late Friday I was in the 14 office and then we received a termination letter 15 from Seminal. It was faxed over to us and I was 16 in the office and I received that letter.</p> <p>17 Q. That's when you first learned, 18 through that fax?</p> <p>19 A. Yes.</p> <p>20 Q. Did you have any warning ahead of 21 that fax?</p> <p>22 A. No.</p> <p>23 Q. Did you know there were problems 24 before you got that fax?</p>	<p>102</p> <p>1 financial statements and provide the correct 2 amounts to both the tribe and NACS and NACSF. So 3 it's various information.</p> <p>4 Q. Well, for checks cashed in 5 January, how long would it take you to collect 6 the information and calculate the commission paid 7 and credited to the tribe?</p> <p>8 A. We attempted to pay by the 25th 9 of the following month.</p> <p>10 A. Were you always successful?</p> <p>11 A. No, we were sometimes not 12 successful. Sometimes we paid ahead of time. 13 Sometimes we paid on the 25th.</p> <p>14 Q. What portion of Chex's revenues 15 did the Seminal contracts represent?</p> <p>16 A. As I recall, I believe it was 17 twenty-two-and-a-half percent.</p> <p>18 Q. Would you agree that that's a 19 significant portion of Chex's revenues?</p> <p>20 A. Yes, I would agree with that.</p> <p>21 Q. What was the reaction by the 22 public over the announcement that you were 23 terminated from those contracts?</p> <p>24 A. When you say "public," could you</p>
<p>103</p> <p>1 A. No, we did not know of any 2 problems prior to that fax. I do not recall 3 knowing of any problems before that fax.</p> <p>4 Q. In that contract --</p> <p>5 A. Seminal?</p> <p>6 Q. Seminal contract, yes, were there 7 like five casinos that you provided cash services 8 for?</p> <p>9 A. Yes, that is correct.</p> <p>10 Q. Did you have to pay commissions 11 back to the tribe?</p> <p>12 A. We paid commission to the tribe 13 as well as NACS and NACSF.</p> <p>14 Q. How did you determine the 15 commissions?</p> <p>16 A. I don't recall the calculations. 17 I know the NACS and NACSF commissions were a net- 18 based portion of the net profit and the tribe's 19 commission were a percentage of gross revenue.</p> <p>20 Q. And what information would you 21 need from the casino or from the booths in order 22 to calculate the commission?</p> <p>23 A. It's an accumulation of a lot of 24 information to tabulate or construct the</p>	<p>105</p> <p>1 just define exactly who you're referring to.</p> <p>2 Q. Well, we could start with the 3 industry, people in the industry. What kind of 4 feedback, what kind of reaction did you get?</p> <p>5 A. Because I'm on the financial 6 side, I'm not that involved on the day to day 7 interaction from the industry as such. So I 8 can't really comment on the industry side. To my 9 knowledge, I can't recall any positive or 10 negative comment from the industry side.</p> <p>11 Q. Well, you wouldn't expect any 12 positive comment, would you?</p> <p>13 A. Any comment, yes.</p> <p>14 Q. You would not expect positive 15 comments from that termination, would you?</p> <p>16 A. Yes. Well, you could expect a 17 positive comment if somebody does not like 18 Seminal tribe and you leave the financial 19 services at Seminal, they would be happy at 20 another tribe.</p> <p>21 Q. Did that happen, to your 22 knowledge?</p> <p>23 A. Again I'm not involved on the 24 industry side.</p>

	114		116
1 Fong?		1 at the time?	
2 A. Let me think about that, please.		2 A. Could you repeat that? What	
3 I believe so, yes.		3 concern?	
4 Q. As a managing officer of Chex, as		4 Q. Was the reputation of Chex	
5 part of the management team of Chex, you		5 Services -- was the harm that the loss of those	
6 understand how investors and the public would		6 casino to Chex Services -- let me try to figure	
7 react to a significant loss of income or loss		7 out my question, sorry.	
8 like in this case of five casinos at the same		8 Was the harm to Chex's reputation	
9 time, correct?		9 that resulted from the loss of those	
10 A. Generally the market place, yes.		10 casinos a concern to the management of	
11 Intimately on the Equitex side, no, I would not		11 Chex?	
12 have knowledge as to how the shareholders of		12 A. Yes.	
13 Equitex would directly react.		13 Q. Therefore, wouldn't you expect it	
14 Q. Wdl, at the time iGames was		14 was also a concern to iGames?	
15 acquiring Chex, it was supposed to be a good deal		15 A. I can't speak on behalf of	
16 for iGames. It was supposed to be actually for		16 iGames.	
17 both companies, but it was going to make --		17 Q. Well, I'm not asking you in all	
18 iGames was probably traded and it was going to		18 these questions to speak on behalf of iGames.	
19 help. They were going to grow in the market and		19 I'm asking you whether you believed it, from your	
20 the two companies would be, the two would be		20 personal experience, believed it was a problem or	
21 better than, two together would be better than		21 whether, as part of the management team and part	
22 two independent companies, correct?		22 of the person on these e-mails and being included	
23 A. That is correct.		23 in discussions and board meetings, you learned	
24 Q. You expected some synergies?		24 that yes, it was a problem either for both Chex	
	115		117
1 A. Yes.		1 and for iGames?	
2 Q. So when iGames was in the middle		2 A. I don't know if it was a problem	
3 of acquiring Chex and Chex lost 22.5 percent of		3 for iGames. If I was in iGames' shoes, I would	
4 their operating income was it?		4 be concerned.	
5 A. Revenue.		5 Q. And you immediately took legal	
6 Q. Revenue, wouldn't you expect a		6 action because of that loss and you also took	
7 negative reaction by the public and by the		7 internal cost cutting action, correct?	
8 investors in iGames to that news?		8 A. We initiated legal action, yes.	
9 MR. PORETTI: Objection. It calls		9 Q. You also cut costs in various	
10 for speculation.		10 ways to make up for that loss?	
11 A. I don't know the shareholders of		11 A. That is correct.	
12 iGames. Generally speaking, yes, in the		12 Q. If I wrote a check in one of your	
13 marketplace if a negative event takes place, yes.		13 casinos, if I wanted to cash a hundred dollars,	
14 Q. Didn't you initiate litigation		14 how much would I have to write the check for?	
15 and claim all those things, for instance, that		15 A. The average fee, I believe it's	
16 the termination was going to harm Chex's		16 six dollars, six percent.	
17 reputation, irreparably harm their reputation?		17 Q. So if I wanted to cash a hundred	
18 A. Which litigation are you		18 dollars, I'd write a \$106 check?	
19 referring to?		19 A. That is correct.	
20 Q. Against Cash Systems.		20 Q. And if I cashed a \$106 check with	
21 A. I'm not intimately involved. I		21 one of Chex's or FastFunds' booths in September,	
22 would have to look at the documents if that is		22 2003, it bounced, how would you handle it in your	
23 one of the claims.		23 accounting?	
24 Q. Was that a concern of management		24 A. If the check bounced for \$107, we	

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1 would write off that check or expense it in our 2 financial statement.		1 collect it for forty-five days. And if they're 2 unsuccessful, it would go back to collection. It 3 would go to the in-house collection.	
3 Q. So if I wrote a check for -- is 4 it 107 or 106?		4 Q. I'm sorry, who would get it?	
5 A. Sorry? 106.		5 A. So when the check becomes bad, so	
6 Q. Well just use that. So if I 7 wrote a check September 1st, 2003, for \$106, how 8 long would it take before you knew it bounced if 9 I wrote a bad check?		6 Let's differentiate between when it gets written 7 off versus when the information comes.	
10 A. It depends on the location. If 11 you have electronic versus manual, most of them 12 are electronic, so I would say within 48 hours.		8 Q. September 1, 2003, I'll give you 9 a pen if you want to visualize it, September 1, 10 2003, I write the check; within a day so, by 11 September 3rd, you know it's insufficient funds?	
13 Q. So within 48 hours -- so within 14 the month of September, if I wrote it September 15 1st, you're going to know it's no good?		12 A. If it is electronic, we will know 13 within forty-eight hours. Electronically it is 14 insufficient funds. Then the physical check would 15 probably arrive within twenty-four to forty-eight 16 hours after that.	
16 A. That is correct.		17 Q. Okay.	
17 Q. How then would that be accounted 18 for? You said you would write it off?		18 A. Once the check arrives, it is 19 given to the operations or people at the booth or 20 the Financial Service Center to collect the check 21 for forty-five days, and if they're unsuccessful, 22 the check would go to collections. There are 23 also exceptions.	
19 A. Hm-hmm.		24 Q. That was the policy and procedure	
20 Q. Where would that get written off? 21 Would that be when you reconciled the books late 22 in the following month, like the 25th of the 23 following month?			
24 A. Yes. Basically when it actually			
	119		121
1 gets wherein off by the 25th or the 15th, 2 depending on where we are on closing the 3 financial statements for that particular month, 4 you get the bank statement and you actually see 5 the debit in your bank statement and then you 6 write it off in your bank statement, through your 7 bank statement in your financials.		1 in place in September, 2003, correct?	
8 Q. I asked you September 1, 2003, 9 because you're explaining to me under the 10 policies and procedures you had a place at that 11 time, correct?		2 A. That is correct.	
12 A. That is correct.		3 Q. And what would happen if you did 4 ultimately collect it; how would you account for 5 it?	
13 Q. Did you understand?		6 A. If you ultimately collected, it 7 would go back as collection revenue. When you 8 expense it, it's bad check expense, and when you 9 collect it, it's collection revenue.	
14 A. Yes.		10 Q. That accounting procedure was in 11 place last year?	
15 Q. What amount would you write off 16 the following month as you explained?		12 A. That is correct. Can I get some 13 water, please?	
17 A. Well, the debit, whatever the 18 amount of the debit is in the bank statement. So 19 if the check was 106 and it bounced or came back 20 as NSF, we would have to expense \$106.		14 Q. Sure.	
21 Q. Would you then send that check to 22 collections or how would you handle that check?		15 MR. BEAUSOLEIL: Let's take a 16 five-minute break. 17 (Whereupon a comfort recess 18 was taken at 11:45 a.m.)	
23 A. It depends. Typically the check 24 would go back to operations. They would try to		19 (Whereupon the deposition resumed 20 at 11:56 a.m.)	
		21 BY MR. BEAUSOLEIL:	
		22 Q. What I didn't ask you was did you 23 ever -- are you a certified CPA?	
		24 A. I've passed the CPA exam. I	

<p>1 don't have a CPA valid license.</p> <p>2 Q. Have you ever had one?</p> <p>3 A. No. I did not go into public</p> <p>4 accounting.</p> <p>5 Q. So after you graduated college,</p> <p>6 you then sat for the CPA exam?</p> <p>7 A. That is correct.</p> <p>8 Q. Have you gone to anymore</p> <p>9 education, any continuing education?</p> <p>10 A. Yes, I regularly take continuing</p> <p>11 education classes and seminars just to keep up</p> <p>12 with what's going on.</p> <p>13 Q. Is that in a particular field?</p> <p>14 A. Accounting financing.</p> <p>15 Q. Have you worked on any graduate</p> <p>16 degrees or anything?</p> <p>17 A. No, I have not.</p> <p>18 Q. Do you have a company, like a</p> <p>19 written policy or procedure in place as to how to</p> <p>20 handle bad checks?</p> <p>21 A. From operations or finance</p> <p>22 perspective?</p> <p>23 Q. I guess both.</p> <p>24 A. Operations we do. Finance we</p>	<p>122</p> <p>1 you?</p> <p>2 A. That would be the auditors who</p> <p>3 determine that.</p> <p>4 Q. You mean outside auditors?</p> <p>5 A. Yes, independent auditors.</p> <p>6 Q. Do you have any role in that?</p> <p>7 A. Setting the policies and</p> <p>8 procedures from the audit side of accounting, no.</p> <p>9 They advise us on what the GAAP requirements are</p> <p>10 for.</p> <p>11 Q. G-A-A-P?</p> <p>12 A. G-A-A-P.</p> <p>13 Q. How many times in your career</p> <p>14 have you accepted a Note from a customer who</p> <p>15 wrote a bad check?</p> <p>16 A. From a customer, I don't recall.</p> <p>17 The Howard LeRoy and Pauline Howard would be in</p> <p>18 my memory the first customer.</p> <p>19 Q. Where Chex ever took a Note and</p> <p>20 exchanged it for bad checks?</p> <p>21 A. That is correct.</p> <p>22 Q. Has any one customer ever written</p> <p>23 more than six hundred thousand dollars in bad</p> <p>24 checks other than the Howards?</p>
<p>123</p> <p>1 don't, or accounting side we don't. Operations</p> <p>2 we do.</p> <p>3 Q. So the operations, you're talking</p> <p>4 about people in the cash booth?</p> <p>5 A. Yes, how the process of</p> <p>6 collecting the check works.</p> <p>7 Q. Do you know generally what they</p> <p>8 cover?</p> <p>9 A. As we discussed earlier.</p> <p>10 Q. Forty-five days?</p> <p>11 A. Forty-five days.</p> <p>12 Q. Basically keeping them from</p> <p>13 violating any collection laws?</p> <p>14 A. We deal with first-party</p> <p>15 collections, so the collection laws don't really</p> <p>16 apply to first-party collection because we're</p> <p>17 collecting checks which are written to us</p> <p>18 directly.</p> <p>19 Q. But you do not have written</p> <p>20 policies and procedures in the finance part of</p> <p>21 it?</p> <p>22 A. That is correct.</p> <p>23 Q. So who sets those -- who</p> <p>24 determines what the practice will be, is that</p>	<p>125</p> <p>1 A. Well, you would have to -- over a</p> <p>2 period of time or a week or a day?</p> <p>3 Q. Is it my understanding that they</p> <p>4 wrote six hundred thousand dollars in bad checks</p> <p>5 in one month?</p> <p>6 A. That is correct.</p> <p>7 Q. Has any other customer ever done</p> <p>8 that?</p> <p>9 A. I would have to go back and look</p> <p>10 at the transaction history to determine that.</p> <p>11 Q. Are you saying it's possible that</p> <p>12 in the years you worked at Chex, that some other</p> <p>13 customer wrote six hundred thousand in bad checks</p> <p>14 in one month?</p> <p>15 A. In bad checks? No. Checks, yes,</p> <p>16 there's a possibility. I would have to go and</p> <p>17 looking. Bad checks from one customer for six</p> <p>18 hundred thousand dollars, no.</p> <p>19 Q. And would it be fair to say Chex</p> <p>20 has never received, other than with the Howards,</p> <p>21 over a hundred thousand of bad checks from one</p> <p>22 customer in one month, a hundred thousand</p> <p>23 dollars?</p> <p>24 A. I would not be able to answer</p>

<p>1 that question without going back and looking in 2 the data base or the history. 3 Q. Well, this is the only customer 4 who ever wrote six hundred or more in bad checks; 5 is that right? 6 A. That is correct. 7 Q. In one month? 8 A. Yes. 9 Q. Are there any other incidents 10 that stick out in your mind, any other 11 significant amounts where one customer wrote that 12 many bad checks in one month? 13 A. In the range of six hundred? 14 Q. Well, any item, whether it was 15 two hundred, whether it was three hundred, but 16 any significant number other than this six 17 hundred. 18 A. Yes. A significant number, well, 19 I guess it depends how you define "significant." 20 To my memory, you know, ten thousand, fifteen 21 thousand is what I remember the maximum amounts 22 from a particular customer sitting right here 23 today. 24 Q. And the maximum amount that a</p>	<p>126</p> <p>1 before, what's the longest it would have taken 2 you to find out if they were manual checks? 3 A. A material amount like this? 4 Q. Yes. 5 A. Within a week. Maximum, a week. 6 Q. Okay. So within a week of them 7 writing checks, you're confident you knew about 8 it? 9 A. Yes. 10 Q. Do you know if the checks were 11 written in August or September? 12 A. I don't. I don't know that 13 sitting here right now. 14 Q. Do you know how long after 15 learning about it you got a Note from the 16 Howards? 17 A. You would have to look at the 18 date of the Note. I don't know what the date of 19 the Note is. Well, I don't know. I can't answer 20 that question, either. I don't remember the 21 dates. 22 Q. I'll show you the Note in a 23 minute, but I wanted to see in your mind if you 24 could remember a time frame. Was it within a</p>
<p>1 particular customer wrote in a month? 2 A. No, that went bad. 3 Q. That went bad? 4 A. Yes. 5 Q. So it could have been over a 6 couple months? 7 A. Yes. 8 Q. Before you caught it kind of 9 thing? 10 A. Yes. 11 Q. When did you first learn that the 12 Howards had written six hundred -- I think my 13 understanding is it's \$606,316; does that sound 14 right to you? 15 A. Yes, it's in the range of six 16 hundred thousand dollars. 17 Q. So when did you first learn that 18 the Howards had written over six hundred thousand 19 dollars in bad checks? 20 A. I don't remember the exact date. 21 If they were written during the month of 22 September, I would have found out immediately a 23 few days after that they wrote it. 24 Q. As we went through the time line</p>	<p>127</p> <p>1 week, two weeks? 2 A. No, the Note was executed not 3 within a week or two weeks. It was executed 4 longer than that. I don't know exactly when. 5 Q. Was it executed within a month of 6 you finding out or more? 7 A. You know, I would have to -- I 8 don't know. I'm sorry. 9 Q. How could we find out? Would you 10 still have the cancelled checks or something like 11 that? 12 A. The cancelled checks, we have the 13 cancelled checks and I believe we have presented 14 all the communication and documentation with the 15 Howards as well. So we should be able to 16 determine from those documents. 17 Q. How did the six hundred thousand 18 in bad checks come to your attention? 19 A. How did it come to our attention? 20 We received a record from a vendor we used called 21 Solutran, S-O-L-U-T-R-A-N, and it was an 22 electronic report informing us of the bad checks 23 coming back. 24 MR. BEAUSOLEIL: Would you mark</p>

<p>1 that as a request. (Speaking to the 2 court reporter)</p> <p>3 BY MR. BEAUSOLEIL:</p> <p>4 Q. Can you just spell it for me?</p> <p>5 A. S-O-L-U-T-R-A-N.</p> <p>6 Q. Did it take a little while to 7 negotiate the Note with the Howards?</p> <p>8 A. Yes.</p> <p>9 Q. What first happened when you 10 learned from Solutran that this had happened, 11 that somebody had written six hundred thousand in 12 bad checks? What was your next step; what did 13 you do?</p> <p>14 A. Well, the very first thing we did 15 was we called Solutran and said, "Have you made a 16 mistake in the report?" And eventually after a 17 few days the check copies were mailed which 18 reverified what had happened. We communicated to 19 the operations; asked them exactly what happened, 20 and there was a breakdown in the operating 21 policies and procedures.</p> <p>22 Does that answer your question?</p> <p>23 Q. Yes. Do you know how many checks?</p> <p>24 Can you give me a ballpark?</p>	<p>130</p> <p>1 Tampa. I think so. I'm not sure.</p> <p>2 Q. Was that one of the reasons cited 3 by Seminal Tribe for you losing the contracts 4 there?</p> <p>5 A. I do not recall that being the 6 reason.</p> <p>7 Q. Did that become an issue?</p> <p>8 A. With the tribe, no.</p> <p>9 Q. Did it affect your relationship 10 with -- did that incident affect your 11 relationship with the tribe?</p> <p>12 A. No.</p> <p>13 Q. When did Chex first notify iGames 14 about this bad debt?</p> <p>15 A. I believe iGames found out 16 through the SEC filings about this incident.</p> <p>17 Q. When?</p> <p>18 A. I do not exactly remember when.</p> <p>19 Q. Would it have been around January 20 27, 2004?</p> <p>21 A. The September "Q" was due in 22 November.</p> <p>23 Q. What does it become public?</p> <p>24 A. Well, it depends if you file</p>
<p>131</p> <p>1 A. Yes. I think the average check 2 is \$7,800 each. So you can take the 601 divided 3 by 7,800. It's in that range.</p> <p>4 Q. Was disciplinary action taken 5 against any employee because of this?</p> <p>6 A. Yes, employees were written up, 7 and one of the directors was demoted.</p> <p>8 Q. Who is this?</p> <p>9 A. Pam Houle, H-O-U-L-E. Not solely 10 for this, but an accumulation of events, 11 including what happened at Seminal, from being a 12 director to a lower position in management. So 13 there was some action taken.</p> <p>14 Q. Do you know who was written up?</p> <p>15 A. I don't remember. I don't recall 16 the names of the employees that were written up.</p> <p>17 Q. All the disciplinary actions were 18 directed towards people in the casino level?</p> <p>19 A. Operations.</p> <p>20 Q. Where were the checks written, 21 what casinos?</p> <p>22 A. Casino Hollywood for sure and I 23 think the other one -- that's Seminal Casino 24 Hollywood, and I believe the other casino was</p>	<p>133</p> <p>1 timely or take an extension. So I don't know 2 exactly if he filed an extension for the 3 September "Q." So I can't exactly answer you 4 when was this filed and made public.</p> <p>5 Q. Well, generally, you said it was 6 due in November. Do you know what part of 7 November?</p> <p>8 A. By the middle of November.</p> <p>9 Q. November 15th; is that right?</p> <p>10 A. Yes.</p> <p>11 Q. And then you could get an 12 extension, though, beyond that date?</p> <p>13 A. Yes, ten working days.</p> <p>14 Q. So if it actually was filed by 15 November 15th, when would it become publicly 16 available?</p> <p>17 A. Immediately.</p> <p>18 Q. What was your next step? You 19 said that you first took action at the booth 20 level to find out what went wrong.</p> <p>21 A. I didn't take action. The 22 operations.</p> <p>23 Q. As part of the management team 24 took action?</p>

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1	A. That's correct, yes.	1	particular day. They were over a few days.
2	Q. What was the next step reacting	2	Q. It wasn't more than a week, was
3	to this bad debt?	3	it?
4	A. The next step, as I recall, was	4	A. No. And again, once we get the
5	getting in touch with the Howards and asking them	5	checks, we can determine the dates.
6	exactly what happened and how can we resolve this	6	Q. Who has the cancelled checks?
7	issue.	7	A. It's there in my possession.
8	Q. Normally the people in the booth	8	Q. Did you turn or consult with the
9	would have handled it for forty-five days,	9	local police or any authorities concerning this?
10	correct?	10	A. We consulted attorneys. We
11	A. That is correct.	11	consulted attorneys and a determination was made
12	Q. But in this case you took it	12	that filing charges would not be the best
13	over?	13	strategy.
14	A. That is correct.	14	Q. Why?
15	Q. Is that because this was such a	15	A. Because based on the consumer
16	significant debt?	16	protection laws in Florida, you could file
17	A. It was materially high, yes.	17	charges, but it would go into litigation and
18	Q. And how did your conversations	18	collectability, winning a case and collectability
19	with the Howards go?	19	is a different issue.
20	A. It went well initially. They	20	Q. Did you do criminal checks on
21	were willing to give us a mortgage on their three	21	these people?
22	properties and they immediately initiated the	22	A. Did we do criminal checks on
23	process of refinancing the properties to pay back	23	these individuals? I do not recall if we did
24	the debt. And we actually took over the process	24	criminal checks.
	135		137
1	of refinancing, also. So we controlled the	1	Q. Well, what kind of background,
2	process of refinancing their properties.	2	before you took the Note and they promised you
3	Q. You said they agreed to give you	3	mortgages and a refinance, but before you did
4	a Note and to give you a mortgage and you were	4	that, did you do any background checks on the
5	involved in the refinancing process?	5	people?
6	A. Yes.	6	A. We did an asset search, a very
7	Q. We'll go through the documents.	7	extensive asset search on the Howards as a family
8	Did you investigate whether they	8	just to make sure they don't have any other
9	cashed those checks as part of some kind	9	assets.
10	of scheme, criminal scheme?	10	Q. Did you do that before you took
11	A. We did some analytical checks	11	the Note?
12	with the casino. What we were concerned with was	12	A. I don't remember if we did that
13	did they really play the money at the casino or	13	before or after.
14	did they just take the cash and not do anything	14	Q. So when you took the Note,
15	with it. So that's a step we took. The casino	15	searching their background and determining their
16	was not able to determine, based on the volume	16	assets wasn't necessary before you took the Note?
17	that they do, and this did not happen on one	17	A. I did not understand that
18	particular day. It was over a few days, and I	18	question.
19	don't remember exactly how many. So they weren't	19	Q. Well, before you took the Note,
20	able to determine was the money actually played	20	did you think it was important to first see
21	in the casino or was it just taken out.	21	whether these people had assets and whether they
22	Q. Were these checks written within	22	had criminal records, particularly in this kind
23	a few days of each other?	23	of field of hanging paper?
24	A. Yes, they were not on one	24	A. You lost me again. I'm sorry,

<p>1 could you please repeat that question?</p> <p>2 Q. You took a Note for six hundred</p> <p>3 thousand dollars?</p> <p>4 A. Yes. Can you tell me what the</p> <p>5 date of the Note is, if you don't mind?</p> <p>6 Q. September 15, 2003, you took the</p> <p>7 Note.</p> <p>8 A. Okay. But I think the point is</p> <p>9 this, if I may interrupt, I don't know when we</p> <p>10 actually executed the Note, but it's dated the</p> <p>11 15th. That is directly linked to, I think, your</p> <p>12 question.</p> <p>13 Q. When did you actually negotiate</p> <p>14 and take the Note?</p> <p>15 A. I don't remember that date.</p> <p>16 Q. You just need to put it in</p> <p>17 perspective with other events?</p> <p>18 A. Yes. I'm just thinking about it.</p> <p>19 It was not on September 15th. It was subsequent</p> <p>20 to that.</p> <p>21 Q. Well, we'll go through some of</p> <p>22 these documents. But there was an asset search</p> <p>23 done like on January 27th. Was that accomplished</p> <p>24 before the Note was signed?</p>	138	<p>1 Q. Was anyone else involved in the</p> <p>2 decision to date the Note September 15th?</p> <p>3 A. No, not for the dating of the</p> <p>4 note, no.</p> <p>5 Q. You told me before that normally</p> <p>6 you would immediately write off a check and then</p> <p>7 begin your collection efforts or during that time</p> <p>8 begin your Chex efforts. How did you handle this</p> <p>9 check on your books, these checks, this six</p> <p>10 hundred thousand dollars?</p> <p>11 A. We basically booked a receivable</p> <p>12 based on the Note and the collateral that we had.</p> <p>13 Q. Go ahead.</p> <p>14 A. We call it receivable based on</p> <p>15 the Note and the collateral that we had to</p> <p>16 support the valuation of the Note on that</p> <p>17 particular date.</p> <p>18 Q. Well, you said when you do an</p> <p>19 accounting for that month, you would be doing</p> <p>20 your accounting in October for the September bad</p> <p>21 checks, correct?</p> <p>22 A. That is correct.</p> <p>23 Q. And typically you would write</p> <p>24 that off?</p>	140
<p>1 A. I believe it was after. I do not</p> <p>2 recall.</p> <p>3 Q. And who decided to date the Note</p> <p>4 September 15th; who picked that date?</p> <p>5 A. I think the determination of</p> <p>6 September satisfy 5th based on the dates on the</p> <p>7 checks. That would have been the logical thing</p> <p>8 to do.</p> <p>9 Q. Whose idea was it?</p> <p>10 A. Since I was involved in</p> <p>11 negotiating the Note with them or working on the</p> <p>12 Note with them, it would have been my idea.</p> <p>13 Q. You said it was the logical</p> <p>14 thing to do. Isn't the logical thing to do is to</p> <p>15 date the Note the day you signed it?</p> <p>16 A. No, you sign the Note the date</p> <p>17 the amount is due. Rather than the date, you</p> <p>18 sign it. So to establish that they owed us money</p> <p>19 based on bad checks on a certain date, we dated</p> <p>20 the Note for that particular date.</p> <p>21 Q. Did the date on the Note, did you</p> <p>22 consider at all your transaction with iGames in</p> <p>23 coming up with this September 15, 2003, date?</p> <p>24 A. No, we did not or I did not.</p>	139	<p>1 A. That is correct.</p> <p>2 Q. And here you said instead of</p> <p>3 doing that, you put the Note, a receivable in</p> <p>4 your books?</p> <p>5 A. That is correct.</p> <p>6 Q. Explain why you did that instead</p> <p>7 of writing it off.</p> <p>8 A. The materiality of the amount</p> <p>9 based on the consultancy with the management of</p> <p>10 Equitex as well as the accountants, we made a</p> <p>11 determination that we had the option of</p> <p>12 classifying this as a receivable versus writing</p> <p>13 off the amount on the financial statements.</p> <p>14 Q. What purpose would doing that</p> <p>15 serve?</p> <p>16 A. Classifying as a receivable?</p> <p>17 Q. Yes.</p> <p>18 A. Well, if we have the option to</p> <p>19 classify that as a receivable, it would obviously</p> <p>20 reflect less expenses on the financial</p> <p>21 statements.</p> <p>22 Q. Did you do that so that iGames</p> <p>23 wouldn't realize the problem you had there with</p> <p>24 the six hundred bad debt?</p>	141

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<p>1 A. The overall materiality of the 2 transactions that we do over the course of a 3 particular year, this one particular incident I 4 don't think constitutes material enough to do or 5 classify a transaction in the manner to avoid or 6 be concerned about what the iGames' reaction 7 would be.</p> <p>8 Q. You had no concern about iGames' 9 reaction to the \$606,000 in bad debt?</p> <p>10 A. When we classified this Note as a 11 receivable, I do not recall our concern was 12 iGames' reaction.</p> <p>13 Q. What about the reaction of your 14 investors, was that a concern?</p> <p>15 A. No. If you look at the overall 16 bad debt expense in our financial statements and 17 compare this amount, our bad debt is around two 18 to three, three-and-a-half million a year. So I 19 don't think this amount was significantly 20 material to be concerned about the Note holders.</p> <p>21 Q. It was significant enough to 22 handle it differently than any other check that 23 had ever been handled by you?</p> <p>24 A. True.</p>	<p>142</p> <p>1 Note at that time. How could you 2 justify marking it as a receivable when 3 all you had was discussions with the 4 Howards and checks marked NSF?"</p> <p>5 MR. BEAUSOLEIL: The only change 6 was, I correct myself, it's several 7 checks.</p> <p>8 MR. PORETTI: The same objection. 9 I'll also add that I object on the basis 10 that it's vague.</p> <p>11 BY MR. BEAUSOLEIL:</p> <p>12 Q. You still have to answer.</p> <p>13 A. Could you clarify the question 14 again for me? I really didn't understand it or 15 break it down, please.</p> <p>16 Q. You told me normally you would 17 write a check off, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And in October you're telling me 20 you did not write a check off; you did not write 21 the six hundred thousand worth of checks off. 22 Instead you marked in the books a receivable from 23 the Howards?</p> <p>24 A. In September we marked the</p>
<p>1 Q. But it was not significant enough 2 to hide from iGames?</p> <p>3 A. When we classified that as a 4 receivable, the purpose was not to do it because 5 how iGames would react to that particular 6 incident.</p> <p>7 Q. Well, in October you're doing 8 your books and you said you didn't write it off, 9 you noted it as a receivable?</p> <p>10 A. Hm-hmm.</p> <p>11 Q. But you didn't have a Note at 12 that time. How could you justify marking it as a 13 receivable when all you had was discussions with 14 the Howards and checks marked NSF?</p> <p>15 MR. PORETTI: Objection. It 16 assumes facts not in evidence. It calls 17 for speculation and lacks foundation.</p> <p>18 MR. BEAUSOLEIL: Can you read my 19 question again because there's no 20 objection to that question. It's not 21 objectionable.</p> <p>22 (Whereupon the court reporter 23 read back the last question as follows:)</p> <p>24 "Question: But you didn't have a</p>	<p>143</p> <p>145</p> <p>1 receivable.</p> <p>2 Q. You marked it in September?</p> <p>3 A. Well, in the financial statements 4 is for September.</p> <p>5 Q. You're doing it back for 6 September. You're doing October 1st for 7 September.</p> <p>8 A. The checks went bad in September. 9 It is reflected in the financial statements as a 10 receivable in September. I don't know exactly 11 the date the Note was executed.</p> <p>12 Q. Well, we established it certainly 13 wasn't in September, correct?</p> <p>14 A. I believe, yes, that probably is 15 correct, yes.</p> <p>16 Q. My question was then, how, if you 17 did not have a Note from the Howards, all you had 18 were bad checks, --</p> <p>19 A. In which period?</p> <p>20 Q. For the September period.</p> <p>21 A. Okay.</p> <p>22 Q. -- how could you put in a 23 receivable on your books in September when you 24 had no Note?</p>

<p>1 A. The way the accounting GAAP 2 works, if you have established a basis to justify 3 an event in the past, you can classify that Note 4 for that particular date and book a receivable, 5 because the financials for the month of September 6 are not completed anyway until the end of, the 7 middle of October. And the "Q" especially is 8 filed even later that. And there's always 9 adjustments from the auditors, and you can go 10 back and rectify things on a particular date from 11 back and do those things. It was with the 12 consent and the knowledge of the auditors.</p> <p>13 Q. Okay. So you could take your 14 knowledge in October and November, if you end up 15 getting into November, and use that to adjust the 16 books in September, correct?</p> <p>17 A. That is correct.</p> <p>18 Q. So if you got the Note in October 19 or November and dated it September 15th, you 20 could then go on your books, note a receivable 21 for September because you now have that Note?</p> <p>22 A. That is correct.</p> <p>23 Q. You also need, in addition to the 24 Note, if they believe that, you could collect on</p>	<p>146</p> <p>1 A. Absolutely. We got valuations 2 from some independent appraisals in giving the 3 initial valuation on the properties, and based on 4 those assessments we were comfortable, so were 5 the auditors, that we could record this as a 6 receivable.</p> <p>7 Q. Weren't the Howards in default of 8 the Note a month before November 15th?</p> <p>9 A. A month before November 15th?</p> <p>10 Well, again it depends when the Note was 11 executed.</p> <p>12 Q. Okay. Weren't the Howards in 13 default of the Note as after October 14, 2003?</p> <p>14 A. Well, if the Note was not 15 executed on October 14th, we would not know if 16 they were in default.</p> <p>17 (Whereupon a document entitled 18 Promissory Note dated September 15, 2003, 19 was marked as iGames-3)</p> <p>20 BY MR. BEAUSOLEIL:</p> <p>21 Q. We marked iGames-3. This is a 22 Promissory Note it says at the top. Can you look 23 at this document.</p> <p>24 (Whereupon iGames-3 was</p>
<p>147</p> <p>1 that Note?</p> <p>2 A. That is correct.</p> <p>3 Q. So when you're doing your books 4 for September it's going to be, by the time you 5 complete them, around October 25th or even later, 6 correct?</p> <p>7 A. For this particular quarter, it 8 was a "Q" filing, 10-Q filings, so it was even 9 later than October.</p> <p>10 Q. It was in November?</p> <p>11 A. 15th of November or if the 12 extension was filed subsequent to that.</p> <p>13 Q. So you're filing at the earliest 14 November 15th, and on that date you need a good 15 faith basis to believe not only that you have a 16 Note but that you could collect the Note?</p> <p>17 A. That would be a correct 18 statement.</p> <p>19 Q. You said "that would be a correct 20 statement"?</p> <p>21 A. A correct statement, yes.</p> <p>22 Q. Did you have on November 15, 23 2003, a good faith belief that you could collect 24 six hundred thousand from the Howards?</p>	<p>149</p> <p>1 handed to the witness to peruse) THE WITNESS: Okay.</p> <p>3 BY MR. BEAUSOLEIL:</p> <p>4 Q. Is that the Note that the Howards 5 signed that we've been discussing?</p> <p>6 A. For the record, they're two 7 Notes. So this is the initial Note the Howards 8 signed.</p> <p>9 Q. This is the initial Note that the 10 Howards signed. And this is dated September 15, 11 2003, correct?</p> <p>12 A. That is correct.</p> <p>13 Q. This is the Note we've been 14 discussing, correct?</p> <p>15 A. I believe so, yes.</p> <p>16 Q. So can you give me, looking at 17 that, any estimate of when it was actually 18 signed?</p> <p>19 A. I really cannot. Looking at this 20 document, based on what was going on during 2003, 21 as to what date this Note was executed.</p> <p>22 Q. You consider accepting a Note 23 like this in lieu of six hundred thousand dollars 24 worth of bad checks to be in the ordinary course</p>

Ijaz Anwar

<p>1 of business?</p> <p>2 A. Well, ordinary course of 3 business--</p> <p>4 MR. PORETTI: I'm going to object 5 to the extent it calls for a legal 6 conclusion, but you go ahead and answer 7 it.</p> <p>8 A. A Note like this as in the 9 ordinary course of business, no, it would not be 10 considered in the ordinary course of business.</p> <p>11 Q. The Note is dated September 15, 12 2003. In the third paragraph, it says 13 "Notwithstanding anything contained herein to the 14 contrary, on October 14, 2003, the entire 15 outstanding principal balance, together with 16 accrued interest and any other amounts due 17 hereunder, shall be due and payable in full." Do 18 you know in reading that, does that refresh your 19 recollection as to when the Note was actually 20 signed as opposed to dated?</p> <p>21 A. It does not.</p> <p>22 Q. It does not?</p> <p>23 A. No.</p> <p>24 Q. Well, would you agree that as of</p>	<p>150</p> <p>1 Q. And so upon signing it, they 2 became in default of the Note?</p> <p>3 A. That would be a correct statement 4 if they read the Note correctly, yes.</p> <p>5 Q. Did you do that on purpose?</p> <p>6 A. No, I did not do that on purpose.</p> <p>7 Q. Did you draft this Note?</p> <p>8 A. I believe the attorneys drafted 9 the Note. I did not draft this Note.</p> <p>10 Q. What law firm drafted this note?</p> <p>11 A. Well, we used two law firms; 12 started with Rider Bennett and also used a law 13 firm out of Florida by the name of, I don't know, 14 you have the documents, Knight.</p> <p>15 Q. Holland Knight?</p> <p>16 A. Holland Knight.</p> <p>17 Q. Whose idea was it to take a Note 18 on this debt?</p> <p>19 A. The management collectively 20 discussed and we collectively decided, consulted 21 with the accountants and decided to pursue 22 collectability of the debt through a Note and 23 taking a security interest in the properties.</p> <p>24 Q. When did the initial discussion</p>
<p>1 October 14, 2003, the entire outstanding 2 principal balance was not paid?</p> <p>3 A. Yes.</p> <p>4 Q. Would you agree that they had, in 5 fact, the Howards had, in fact, made zero 6 payments as of October 14, 2003, towards this 7 Note?</p> <p>8 A. Yes.</p> <p>9 Q. Would you agree, then, that on 10 November 15, 2003, you at that point already knew 11 that the Howards were in default on this Note, 12 had not paid any money?</p> <p>13 MR. PORETTI: Objection. It 14 assumes facts not in evidence.</p> <p>15 A. My challenge is I don't know if 16 this Note was signed before November 15th even 17 though it's states the payment was due on October 18 14th. But if they never signed it on November 19 15th, it's difficult to determine.</p> <p>20 Q. So it's possible that you asked 21 them, got them to sign this document after 22 October 14, 2003? Is that possible?</p> <p>23 A. It is possible. I just don't 24 know the date.</p>	<p>151</p> <p>1 take place?</p> <p>2 A. I don't know the exact timeframe. 3 Definitely before the 10-Q was filed.</p> <p>4 Q. Did Henry Fong or anyone else at 5 Chex or Equitex tell you to bury this debt?</p> <p>6 A. Could you define "bury this 7 debt"?</p> <p>8 Q. Hide it, paper it.</p> <p>9 A. From who?</p> <p>10 Q. From investors, stockholders, 11 from iGames, from anyone.</p> <p>12 A. It was disclosed in the filings. 13 I don't think anybody buried the debt. And there 14 was a Note in the 10-Q financial statements 15 clearly disclosing what has taken place.</p> <p>16 Q. Clearly disclosing; is that your 17 testimony?</p> <p>18 A. Yes, it's in the "Q."</p> <p>19 Q. When was it first -- we already 20 asked that.</p> <p>21 You did not notify iGames about 22 it, correct?</p> <p>23 A. That is correct.</p> <p>24 Q. They came up; they found it and</p>

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

iGAMES ENTERTAINMENT, INC.,

Plaintiff,

C.A. No. 04-180 (KAJ)

v.

**CHEX SERVICES, INC. and
EQUITEX, INC.,**

JURY TRIAL DEMANDED

Defendants.

**Appendix of Exhibits To iGames Entertainment, Inc's
Motion For Summary Judgement**

Exhibit C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

iGAMES ENTERTAINMENT, INC. : C.A. NO.
V. : 04-180-KAJ

CHEX SERVICES, INC. and :
EQUITEX, INC. :

EQUITEX, INC. and CHEX : C.A. NO.
SERVICES, INC., d/b/a : 94-256-KAJ
FASTFUNDS :
V. :

iGAMES ENTERTAINMENT, INC. :

COPY

CHEX SERVICES, INC., d/b/a : C.A. NO.
FASTFUNDS : 04-0885-KAJ

V. :

iGAMES ENTERTAINMENT, INC. :

September 22, 2004

Oral deposition of
CHRISTOPHER WOLFINGTON, held in the
offices of Duane, Morris and Heckscher,
4200 One Liberty Place, 1650 Market
Street, Philadelphia, Pennsylvania 19103
commencing at 10:00 a.m., on the above
date, before Harvey Krauss, a
Federally-Approved Registered
Professional Reporter and a Commissioner
of the Commonwealth of Pennsylvania.

ESQUIRE DEPOSITION SERVICES
15th Floor
1880 John F. Kennedy Boulevard
Philadelphia, Pennsylvania 19103
(215) 988-9191

CHRISTOPHER WOLFINGTON . . .

we had a \$500,000 break-up fee if he got out of the deal, and if I could write him a letter that would indicate that this was a higher and better offer for his shareholders that would help him do a deal with me and get out and not have to pay the \$500,000 break-up fee because his only out in his agreement was if he received an unsolicited higher or better offer.

Q. And --

A. And we discussed Credit Plus in the way that the offer would have to be structured in order to accommodate that need.

Q. Is there anything untrue in the July 2nd letter from your perspective?

A. Nothing that comes to mind immediately, no.

Q. When do you believe you had this conversation with Mr. Fong about the cash system situation and the \$500,000 termination fee?

CHRISTOPHER WOLFINGTON

MR. TAYLOR: We'll break now for your family thing, which is fine. It's 4:15 and you're leaving at 4:30 anyway.

MR. PORETTI: Yes.

MR. TAYLOR: You can go to 4:30 if you want, but I don't know what you're going to get done in 15 minutes.

MR. PORETTI: Well, we're kind of end point on this particular topic for right now. Well, actually, if you give me five more minutes, I'll touch a few minor bases on the term loan.

MR. TAYLOR: All right.

MR. PORETTI: But if you need to go, because I don't want to rush to interfere with your family.

MR. TAYLOR: No.

BY MR. PORETTI:

Q. Let me give you back Exhibit 1 the term loan note.

CHRISTOPHER WOLFINGTON

Did Mr. Anwar at any time tell you that you, you meaning the company iGames was now obligated to pay the interest called for under the term loan note for any reason?

A. Not pay ever?

Q. Right.

A. Yes.

Q. Tell me when that conversation took place.

A. Somewhere between mid-January -- no, somewhere between -- it had taken place between the end of January and the end of March or February, rather.

Q. Telephone, in person?

A. Telephone.

Q. Who called who, do you recall?

A. I don't know.

Q. What did Mr. Anwar say to you that led you to conclude that you wouldn't have to pay interest?

A. We were in the process of

CHRISTOPHER WOLFINGTON

reconciling numerous inter-company payables, receivables. Our past practices had been to maintain a spreadsheet that he would produce that would show what we owe them, they owe us netted out. We had done that on numerous occasions with significant amounts of money over the course of God, a year or two prior, and we had dialogue similar to that saying that we would just wait to see how all the numbers shaped up to see who owed what to who.

Q. Was there any time frame put on when that reconciliation would take place?

A. No, he didn't know when his people could get around to doing it so I didn't know when they would have the numbers completed.

Q. In your past practice was that done on a twice a year basis, quarterly, how often did you do the reconciliation?

A. In the past practices --

C E R T I F I C A T E

I hereby certify that the witness was duly sworn by me and that the deposition is a true record of the testimony given by the witness.

HARVEY KRAUSS

Court Reporter

Dated: October 4, 2004

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying shorthand reporter.)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

iGAMES ENTERTAINMENT, INC.,

Plaintiff

C.A. No. 04-180 (KAJ)

v.

**CHEX SERVICES, INC. and
EQUITEX, INC.,**

JURY TRIAL DEMANDED

Defendants.

**Appendix of Exhibits To iGames Entertainment, Inc's
Motion For Summary Judgement**

Exhibit D

1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF DELAWARE
3

4 iGAMES ENTERTAINMENT, : CIVIL ACTION
5 INC., :
6 v. :
7 :
8

ORIGINAL

6 CHEX SERVICES, INC. :
7 and EQUITEX, INC. : CIVIL ACTION NO.
8 : C.A. 04-180-KAJ
9

10 December 15, 2004
11

12 Volume II
13

14 Continuation of the oral
15 deposition of IJAZ ANWAR taken pursuant
16 to notice, was held at the law offices of
17 DUANE MORRIS, LLP, 4200 One Liberty
18 Place, 1650 Market Street, Philadelphia,
19 Pennsylvania beginning at 9:56 a.m., on
the above date, before Terri L.
Ochipinti, a Professional Reporter and
Commissioner of Deeds in the Commonwealth
of Pennsylvania.

20 - - -
21 ESQUIRE DEPOSITION SERVICES

22 15th Floor
23 1880 John F. Kennedy Boulevard
24 Philadelphia, Pennsylvania 19103
 (215) 988-9191

IJAZ ANWAR

1 A. These are the warrants that
2 were given to -- some where given to
3 Blake Advisors and some were given to
4 White Box and Pandora. So that's a Black
5 Shore valuation for the warrants.

6 Q. It also mentions Seven
7 Ventures. When did you begin -- when
8 were you first contacted -- let me ask
9 you this in a different way.

10 First of all, what is Seven
11 Ventures?

12 A. Seven Ventures is a shell, a
13 bulletin board shell, so that's what
14 Seven Ventures is.

15 Q. When did you first become
16 aware of Seven Ventures?

17 A. I believe sometime during
18 January of 2004.

19 Q. And how did you become aware
20 of that?

21 A. We were approached by a
22 representative of -- not a
23 representative, an individual that does
24 deals by name of Mark Savage. It could

IJAZ ANWAR

1 have been end of December, beginning of
2 January, in that time frame. So he
3 approached us and said, you know, there's
4 a merchant banking forum that is
5 interested in gaining business and
6 transaction. Would you be interested in
7 looking into it? I said, sure.

8 Q. And was the merchant banker,
9 Maroon Bells?

10 A. Yes.

11 Q. I'm going to show you what's
12 he been marked Exhibit 96.

13 A. Thanks.

14 MR. BEAUSOLEIL: Do you have
15 that? It's a prior deposition.

16 MR. ROBBEN: I'm pretty sure
17 I have it.

18 THE WITNESS: I got it,
19 thanks.

20 BY MR. BEAUSOLEIL:

21 Q. Can I see what I handed you?

22 A. An e-mail from --

23 Q. And the first e-mail there
24 is from Chris Larson to you?

IJAZ ANWAR

1 Q. Was White Box told that you
2 were going to terminate the stock
3 purchase agreement before you notified
4 iGames?

5 A. I don't think we told White
6 Box that. I don't remember telling White
7 Box that.

8 Q. Once White Box or -- once
9 iGames was dropped from the term sheets
10 with White Box, was it understood that
11 iGames would not go through -- or was it
12 understood that Chex would not close on
13 the November 3, 2003 stock purchase
14 agreement?

15 A. I think, yeah, it would be
16 once iGames was dropped, I think it was
17 mutually understood that's why everybody
18 was working on the new merger agreement;
19 that it would be very difficult to close
20 on the signed SPA, yes.

21 Q. Do you believe that the
22 stock purchase agreement, November 3,
23 2003 agreement was still binding, was
24 still the binding document between

IJAZ ANWAR

1 iGames, Chex and Equitex when you
2 terminated it?

3 A. Yes. It was the only
4 binding agreement.

5 Q. Okay.

6 (Exhibit 114 marked for
7 identification.)

8 BY MR. BEAUSOLEIL:

9 Q. Were you still negotiating
10 with Mercantile in February for money?

11 A. I am quite certain I know I
12 can't pinpoint the date again, but based
13 on the documentation you have, we
14 possibly were.

15 Q. All right. Let me hand you
16 Exhibit 114. Take a look at this and let
17 me know if you have seen it before.

18 A. (Witness complies).

19 Q. Have now had a chance to
20 look at Exhibit 114?

21 A. Yes.

22 Q. First of all, is Carey the
23 secretary you were trying to think of
24 before, the Blake Advisors assistant or

IJAZ ANWAR

1 Q. But the first two, the
2 Maroon Bells corporate documents were
3 attached to the document?

4 A. Yeah.

5 Q. Those two are attached?

6 A. Yeah.

7 Q. And this is dated January
8 15, 2004; is that right?

9 A. Yes.

10 Q. And what is this?

11 A. This is an introductory
12 letter from Chex Services to Maroon Bells
13 Capital, and then confidential evaluation
14 and a mutual loan disclosure agreement to
15 Maroon Bell Capital. Corporate Capital
16 Management, LLC, as we talked this
17 morning, Mark Savage is with Corporate
18 Capital Management.

19 Q. Okay. I'm sorry. I see
20 that. What I was looking at is e-mail
21 correspondence to Capital Management,
22 LLC. What caused you to write this
23 January 15, 2004 letter?

24 A. When Mark Savage approached

IJAZ ANWAR

1 like any companies that you have been
2 introduced to?

3 A. I think they are referring
4 -- the first company to is -- first one
5 or the second one, the only company that
6 I'm aware of actually -- two companies
7 can Pay Guard and Pay To, and I think
8 that that's what they're referring to.
9 I'm not certain. Both out of Europe.

10 Q. Let me hand you Exhibit 125.
11 (Exhibit 125 marked for
12 identification.)

13 BY MR. BEAUSOLEIL:

14 Q. Have you seen this document
15 before?

16 A. From Rick Landry to us. I
17 do recall receiving this document from
18 Rick Landry.

19 Q. Okay. The initial e-mail
20 down below here is from you to Rick
21 Landry at Maroon Bells?

22 A. Yes.

23 Q. And you ask him to send you
24 information and he then sends you a list

IJAZ ANWAR

1 discussions I've had with Henry and Jim
2 alluded to that if we have to close and
3 liquidate Equitex that's what we would
4 do. So I don't think -- I have not heard
5 them taking a position that because of
6 tax consequences we are not going to
7 close on the SPA. I personally did not
8 hear.

9 Q. Do you know whether Equitex
10 committed to moving forward on the -- he
11 sorry. Let me ask you a new question.

12 Do you know when it was
13 finally decided that Equitex would close
14 on the White Box financing?

15 A. When Equitex decided they
16 would close on the White Box financing?
17 I think after speaking to Chris in
18 January Equitex had the intent to move
19 forward with White Box financing. I
20 don't -- I can't pin down the exact date
21 of their intent.

22 Q. Did you participate in the
23 March 3, 2003 board of directors meeting
24 of Equitex which was done via conference

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

iGAMES ENTERTAINMENT, INC.,

Plaintiff, : C.A. No. 04-180 (KAJ)

v. :

CHEX SERVICES, INC. and
EQUITEX, INC.,

: JURY TRIAL DEMANDED

Defendants. :

**Appendix of Exhibits To iGames Entertainment, Inc's
Motion For Summary Judgement**

Exhibit E

EFiled: Mar 23 2004 4:57PM EST
Filing ID 3309126IN THE SUPERIOR COURT OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

EQUITEX, INC. AND CHEX)	
SERVICES INC. D/B/A)	
FASTFUNDS)	
Plaintiffs)	Case No. _____
)	
vs.)	
)	NON-ARBITRATION
iGAMES ENTERTAINMENT, INC.,))	
)	
Defendant)	
)	

**EQUITEX, INC. AND CHEX SERVICES, INC. D/B/A FASTFUNDS
COMPLAINT AGAINST iGAMES ENTERTAINMENT, INC.,
FOR BREACH OF CONTRACT**

Plaintiff Equitex, Inc. ("Equitex") and Plaintiff Chex Services, Inc. d/b/a Fastfunds ("Chex") (collectively "Plaintiffs") for their Complaint against Defendant iGames Entertainment, Inc. ("Defendant" or "iGames"), state and allege as follows:

THE PARTIES

1. Plaintiff Equitex, Inc. is a Delaware corporation with its principal place of business located at 7315 East Peakview Avenue, Englewood, Colorado 80111.
2. Plaintiff Chex Services, Inc. d/b/a Fastfunds is a Minnesota corporation with its principal place of business located at 11100 Wayzata Boulevard, Minnetonka, Minnesota 55305.
3. Defendant iGames Entertainment, Inc. is a Nevada corporation with its principal place of business at 700 South Henderson Road, King of Prussia, Pennsylvania 19406.

JURISDICTION AND VENUE

4. This Court has subject matter and in personam jurisdiction pursuant to the Stock Purchase Agreement executed by and between the parties to the above-captioned action.

5. Plaintiffs and Defendant have consented to the jurisdiction of this Court.
6. Plaintiffs and Defendant have agreed that venue is proper in this Court.

FACTS

7. On or about November 3, 2003, Equitex, Chex and iGames entered into an Agreement wherein iGames agreed to purchase the outstanding capital stock of Chex from Equitex. A copy of the Stock Purchase Agreement ("SPA") is attached hereto as Exhibit "A".
8. Defendant agreed that the SPA shall be construed according to the laws of the State of Delaware.
9. Defendant agreed that "Each Party submits to the jurisdiction of any state or federal court sitting in the State of Delaware, New Castle County in any action or Proceeding arising out of or related to this Agreement; agrees that all claims in respect of the action or Proceeding may be heard and determined in any such court; and agrees not to bring any action or Proceeding arising out of or relating to this Agreement in any other court."
10. Defendant agreed that if it fails to perform or comply with any of the material obligations that it is required to perform or comply with under this Agreement, then Plaintiffs may terminate the Agreement.
11. Under the terms of the SPA, if Plaintiffs terminate the SPA pursuant to Sections 11(b)(iii), (v), (vii) or (ix) of the SPA, then Defendant agreed to pay to Equitex a termination fee of \$1,000,000 immediately upon termination. *See Exhibit A.*
12. In the event of such a termination Defendant also agreed that it would pay Plaintiffs' documented costs and expenses associated with the SPA and its related transactions.
13. Plaintiffs have terminated the SPA under Sections 11(b)(v) and (ix) of the SPA. A copy of the termination letter is attached hereto as Exhibit "B".

14. Under the terms of the SPA, Defendant agreed that “[i]n the event of litigation arising of or connected with the Contemplated Transactions, the prevailing Party in any such action shall be entitled to recover of the other Party all costs of court, including attorneys’ fees and court costs at the trial level.” *See Exhibit A.*

COUNT I – BREACH OF CONTRACT

15. Paragraphs 1 through 14 are hereby incorporated by reference as if fully set forth.
16. The SPA is a valid and binding contract.
17. Plaintiffs have performed all the stipulations, conditions, and agreements required of Plaintiffs under the terms of the SPA.
18. Defendant’s actions have given rise to Plaintiffs’ right to terminate the SPA, pursuant to the terms of the SPA.
19. Plaintiffs have properly terminated the SPA, pursuant to its terms.
20. Plaintiffs formally notified Defendant of their termination of the SPA on or about March 12, 2004.
21. Under the terms of the SPA, Defendant was required to pay a Termination Amount of \$1,000,000 to Plaintiffs immediately upon termination.
22. Defendant has failed to pay the Termination Amount of \$1,000,000, pursuant to the terms of the SPA.
23. Defendant’s failure to perform according to the terms of the SPA constitutes a breach of contract.
24. As a result of the Defendant’s failure to perform according to the terms of the SPA, Plaintiffs have been damaged in an amount of \$1,000,000 plus other damages allowed pursuant to the terms of the SPA.

PRAAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendant as follows:

1. An award of contractual remedies in the amount of \$1,000,000;
2. An award of additional contractual remedies as provided for in the SPA;
3. An award of attorneys' fees as provided for in the SPA;
4. An award of prejudgment interest according to law;
5. An award of costs and disbursements as provided by law; and
6. Other just and equitable relief as the Court deems appropriate.

MORRIS, JAMES, HITCHENS & WILLIAMS LLP

James W. Semple (#396)
James E. Drnek (#3789)
222 Delaware Avenue
P.O. Box 2306
Wilmington, DE 19899
Attorneys for Plaintiffs Equitex, Inc. and Chex
Services Inc.

Dated: March 23, 2004